

CONFIDENTIAL (FR) CLASS II-FOMC

*Material for
Staff Presentation to the
Federal Open Market Committee*

June 30, 1982

Principal Assumptions

Monetary Policy

- Growth of M1 of 5 percent in 1982 and 4½ percent in 1983

Fiscal Policy

- Expenditure cuts and tax increases of about \$40 billion in FY 1983
- Personal tax reductions scheduled for July 1982 and 1983 are implemented

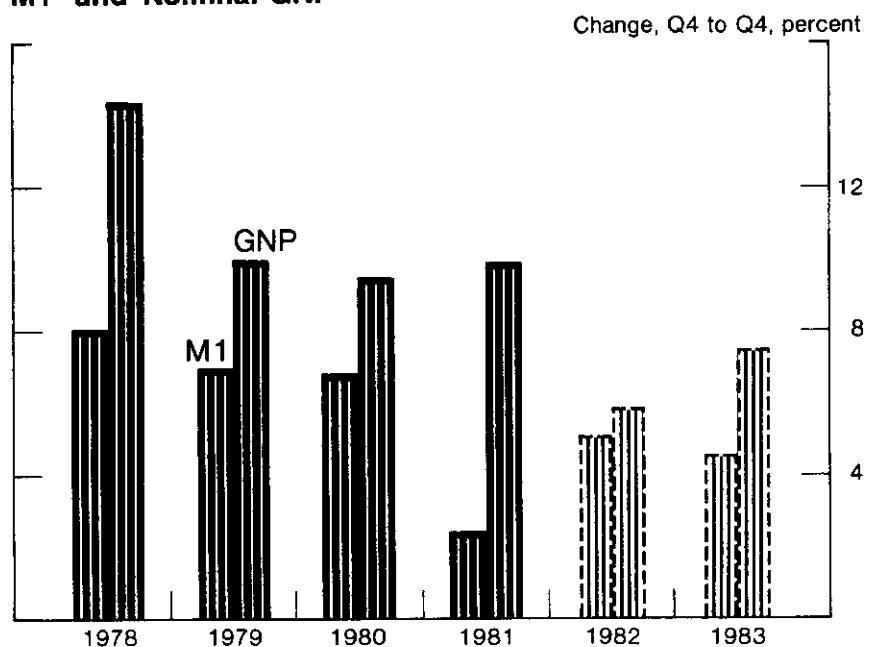
Federal Budget

	Fiscal Years, Unified Budget Basis, Billions of Dollars					
	1981	1982		1983		
		1st Resolution	Staff	1st Resolution	Staff	
Outlays	657	734	735	770	788	
Receipts	599	629	622	666	622	
Deficit	58	106	113	104	166	

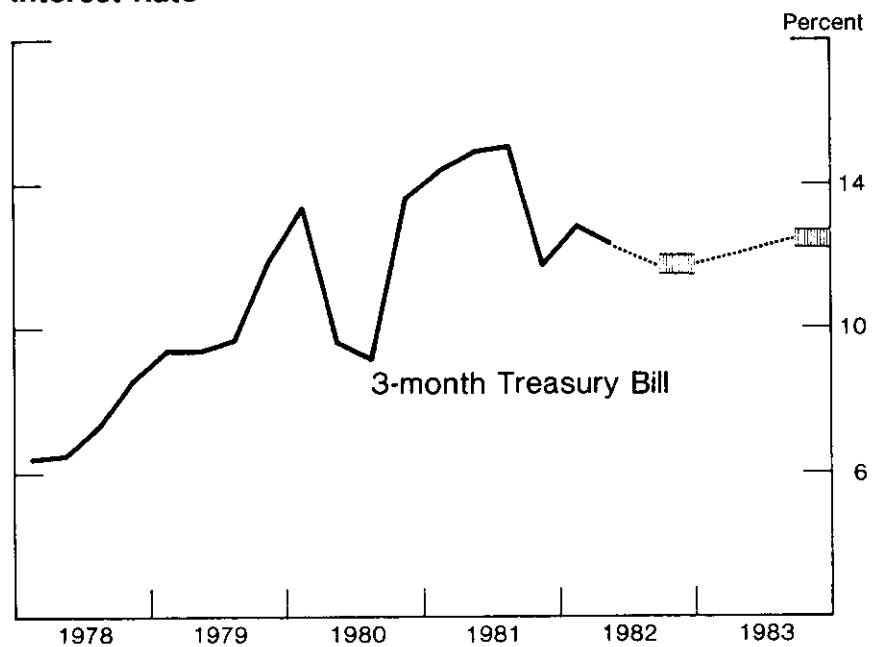
FY 1983 Deficit Comparison

1st Budget Resolution Deficit	104
Higher unemployment and lower income	41
Smaller deficit reducing actions	24
Other	-3
Staff Deficit	166

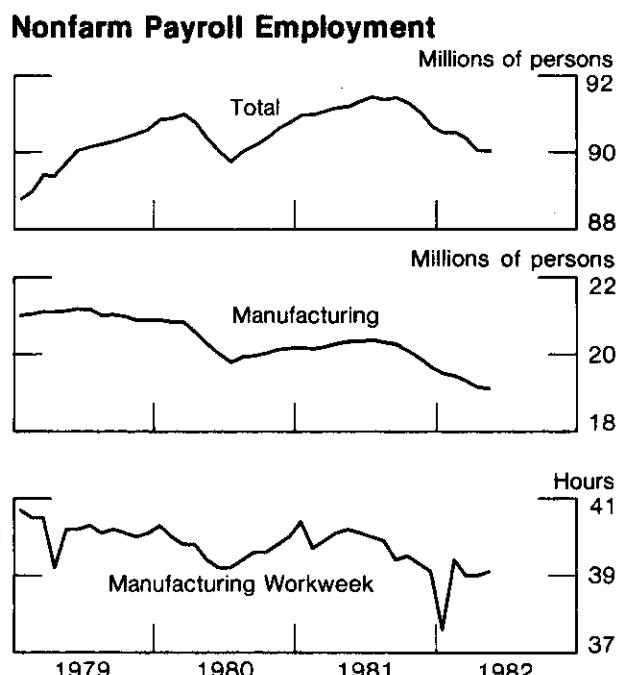
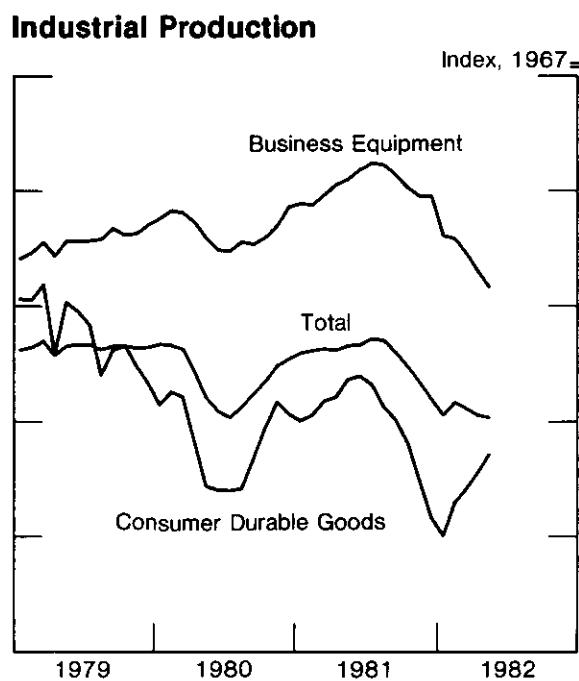
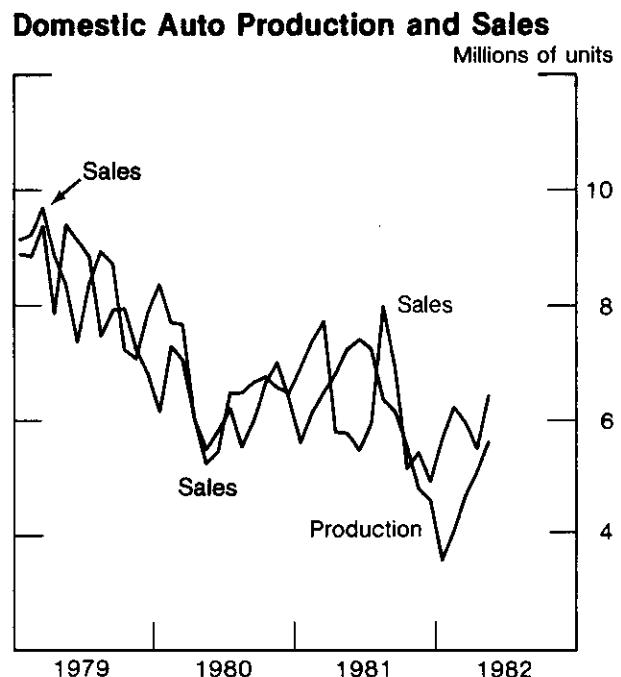
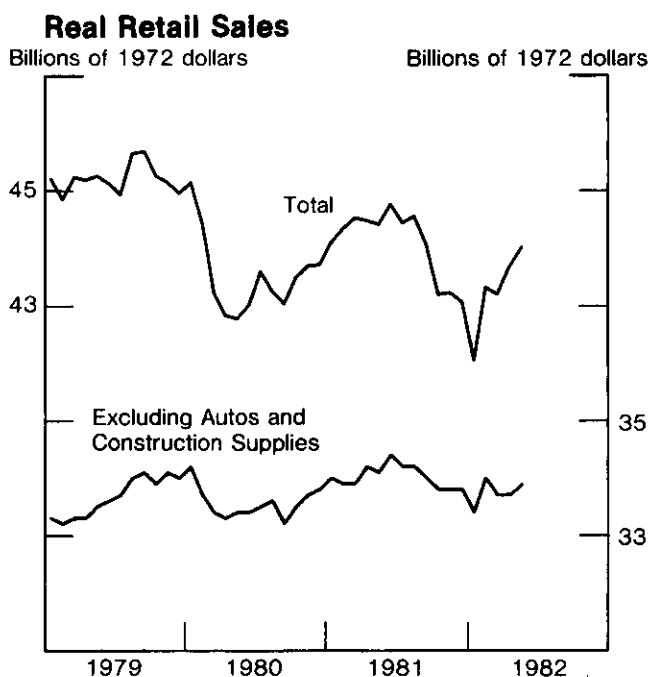
M1* and Nominal GNP



Interest Rate

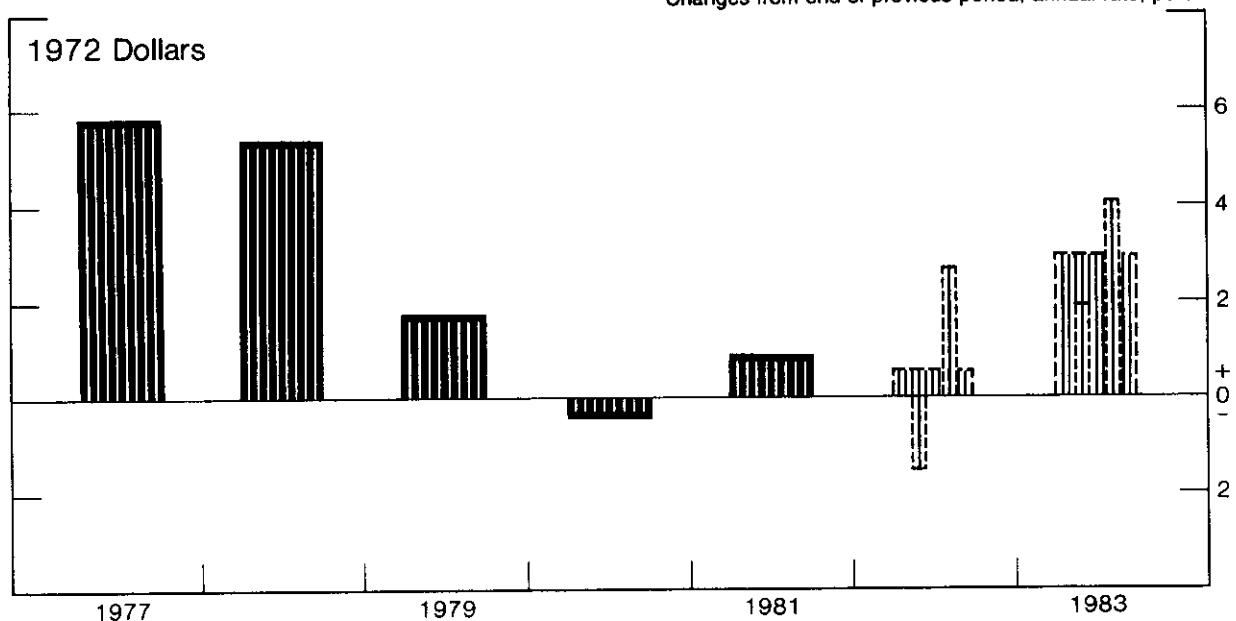


* Adjusted for shifts into ATS and NOW accounts.



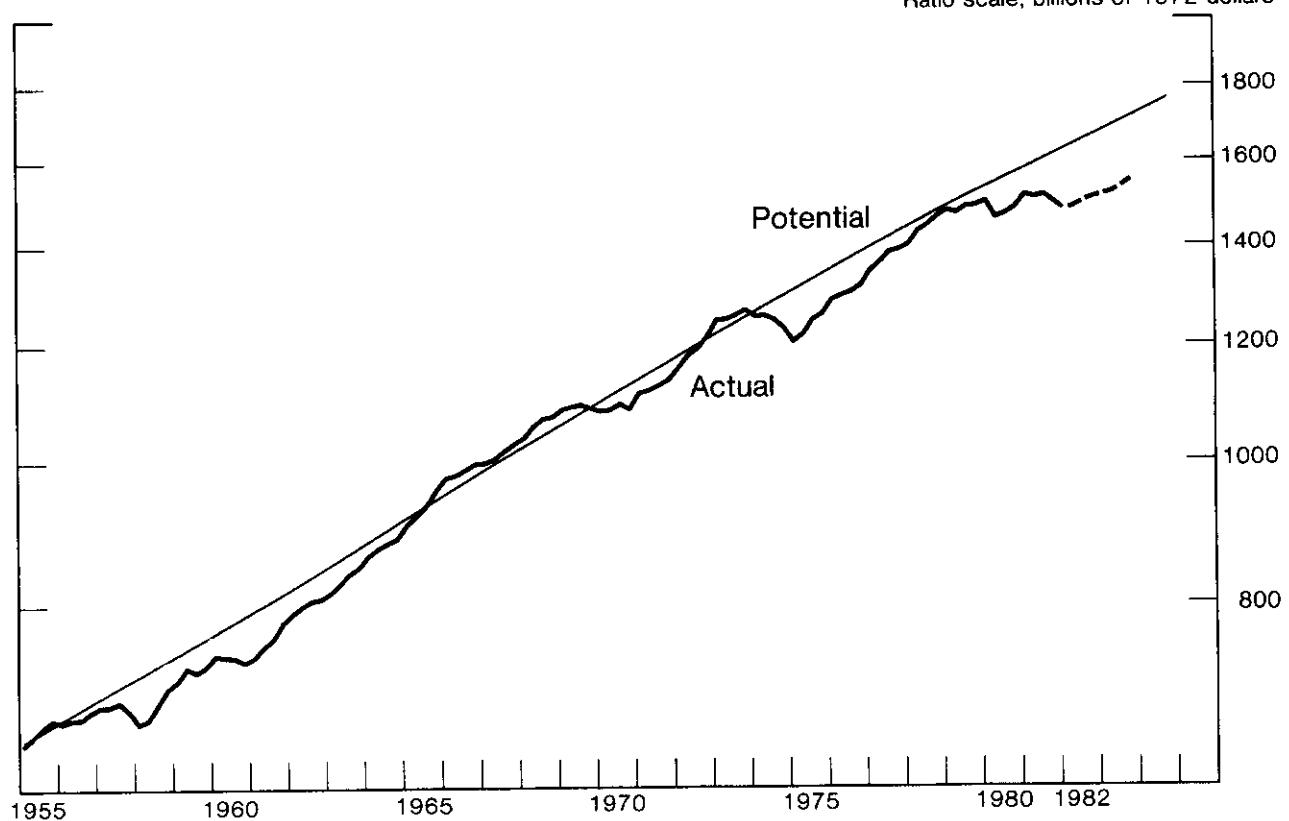
Real GNP

Changes from end of previous period, annual rate, percent



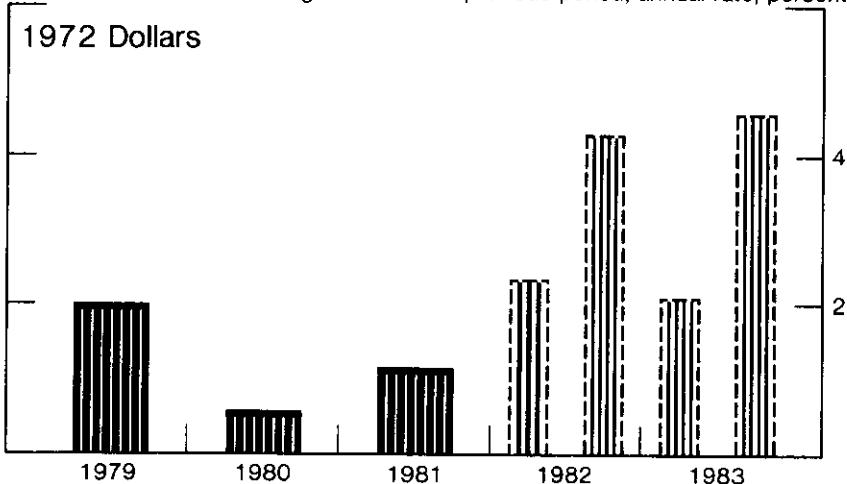
Real GNP and Potential

Ratio scale, billions of 1972 dollars



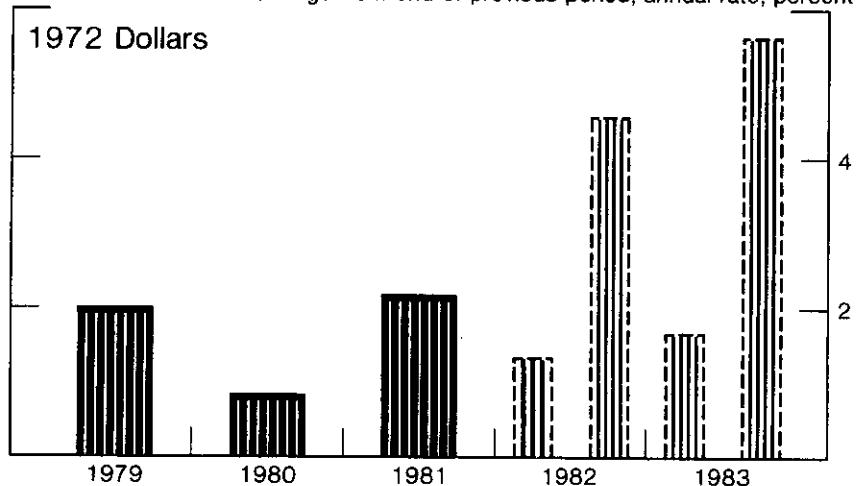
Real Personal Consumption Expenditures

Change from end of previous period, annual rate, percent



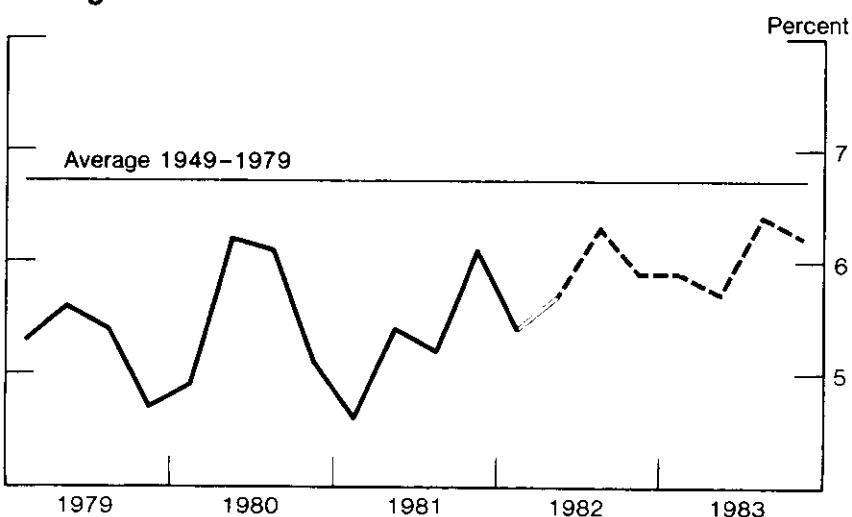
Real Disposable Personal Income

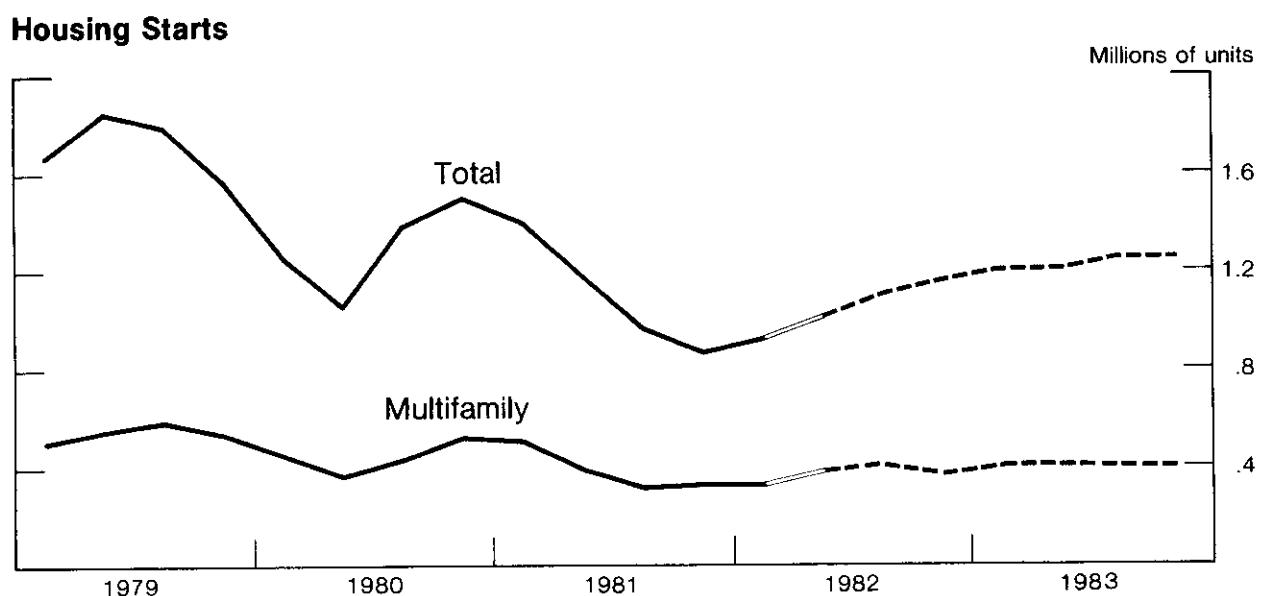
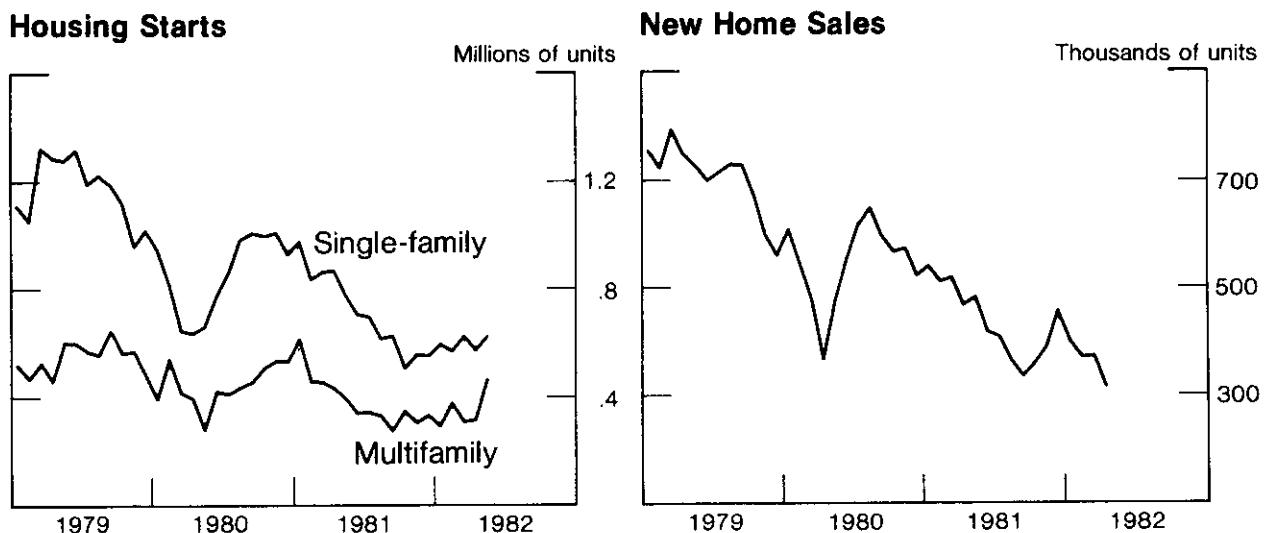
Change from end of previous period, annual rate, percent



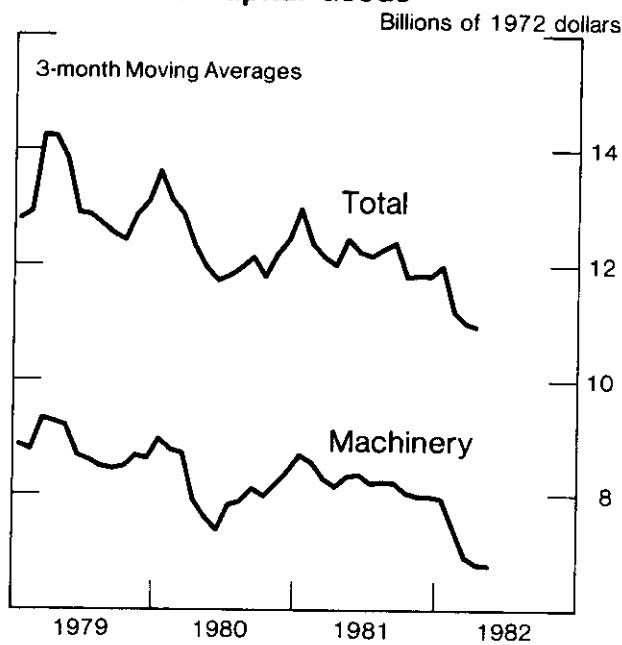
Saving Rate

Percent

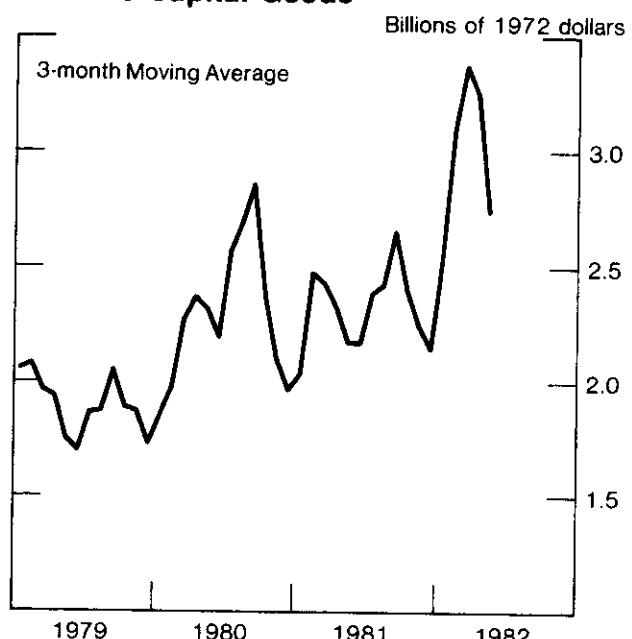




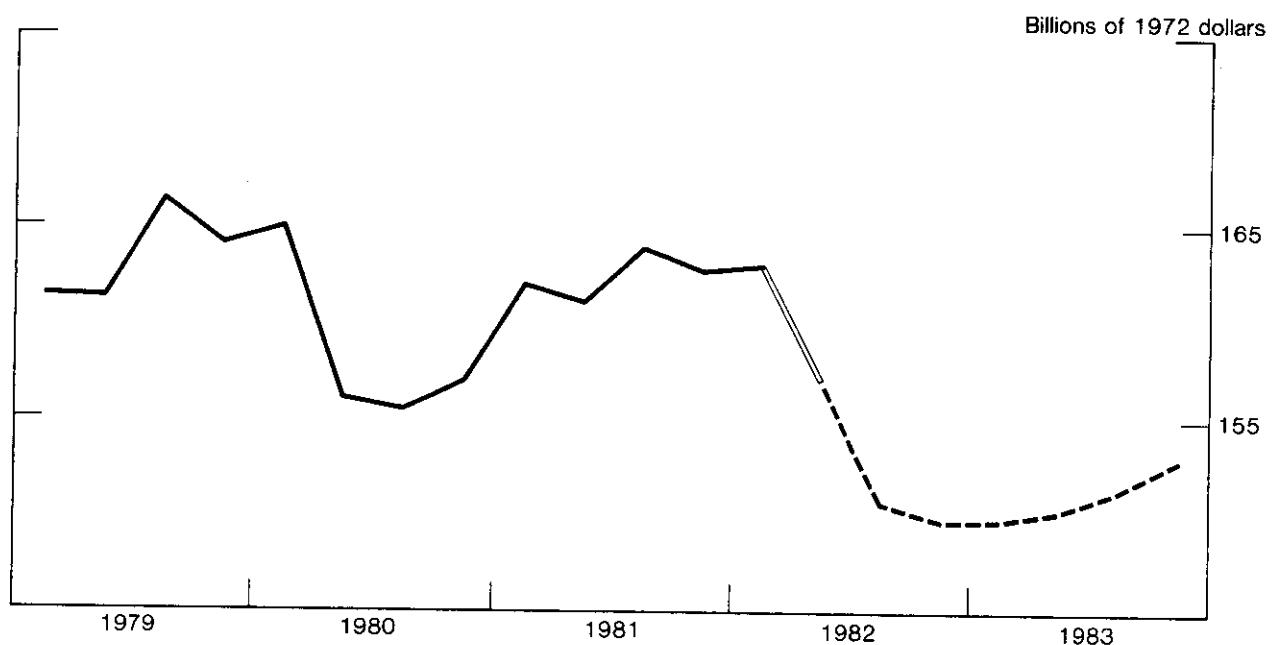
Real New Orders for Nondefense Capital Goods



Real New Orders for Defense Capital Goods



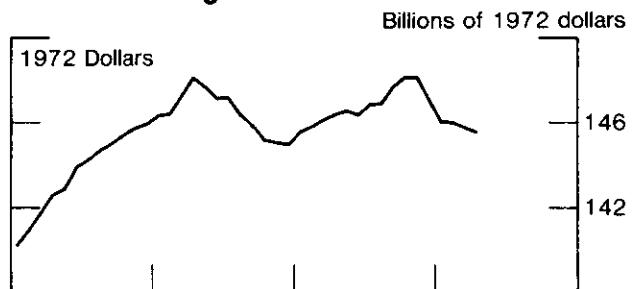
Real Business Fixed Investment



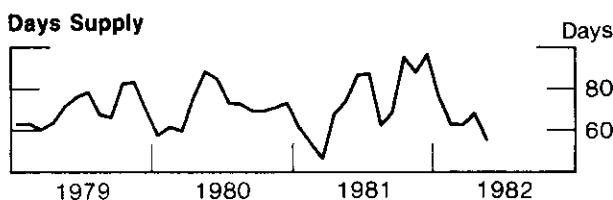
Domestic Auto Inventories



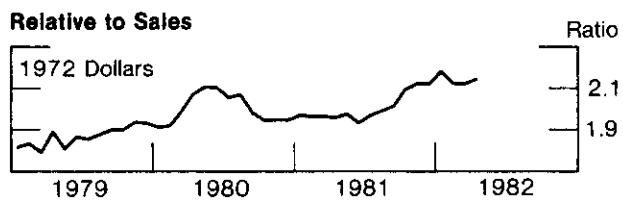
Manufacturing Inventories



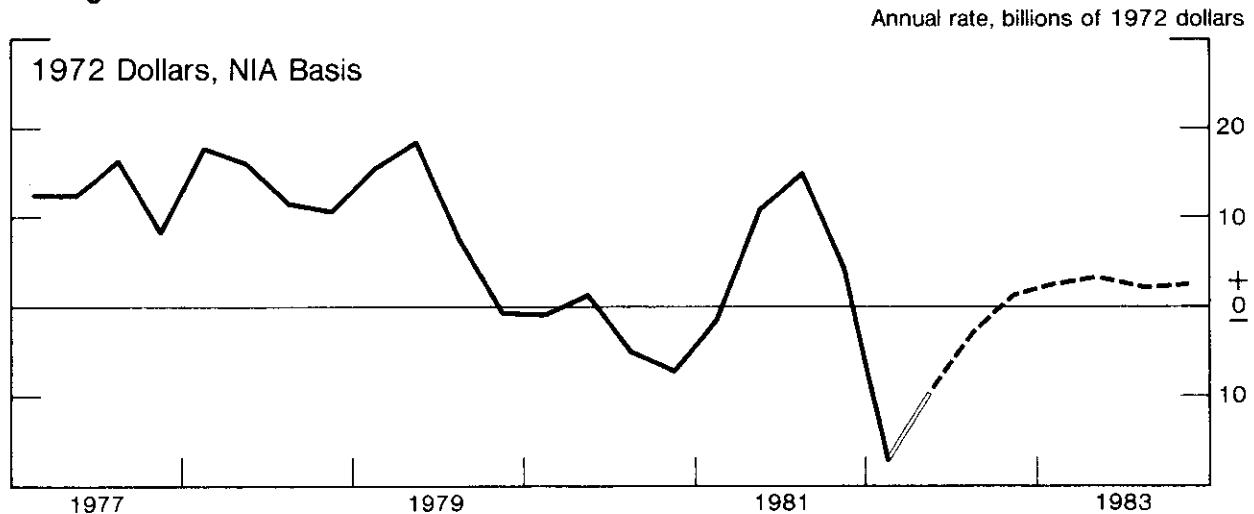
Days Supply



Relative to Sales



Change in Business Inventories

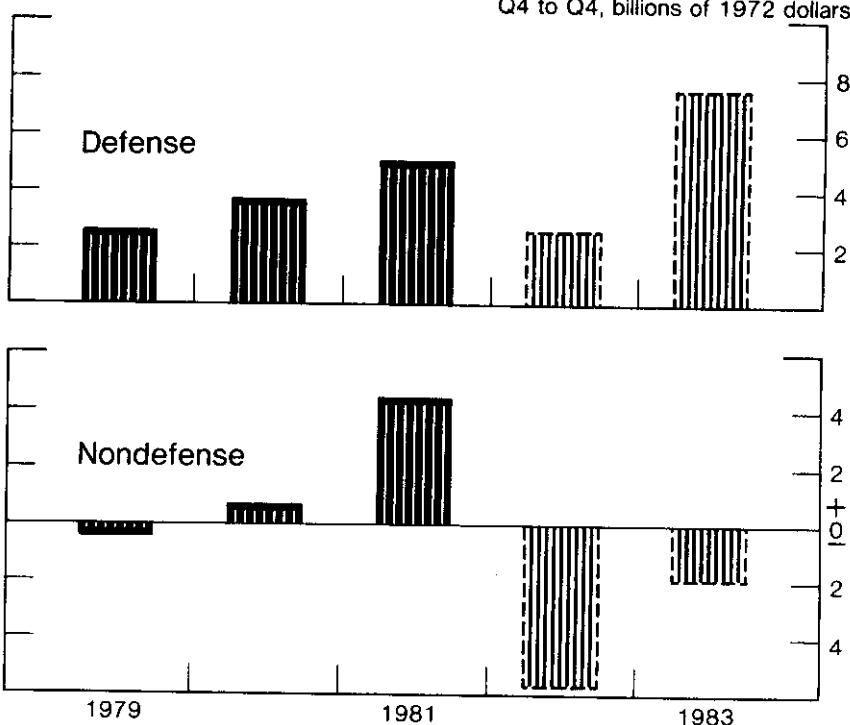


Business Inventories Relative to Sales



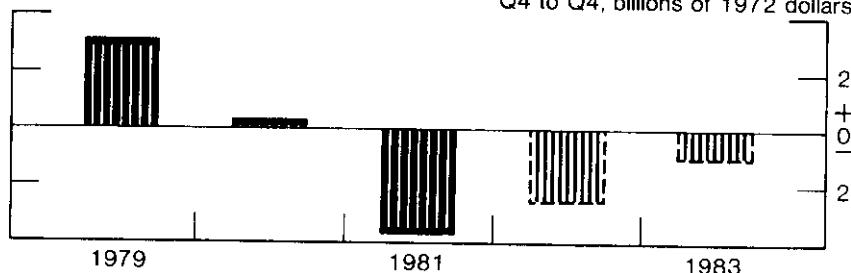
Change in Real Federal Government Purchases

Q4 to Q4, billions of 1972 dollars



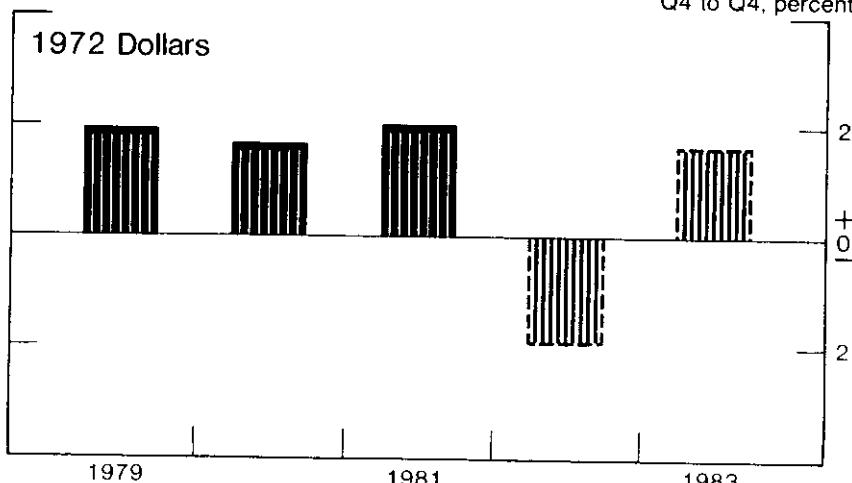
Change in Real State and Local Government Purchases

Q4 to Q4, billions of 1972 dollars



Percent Change in Real Total Government Purchases

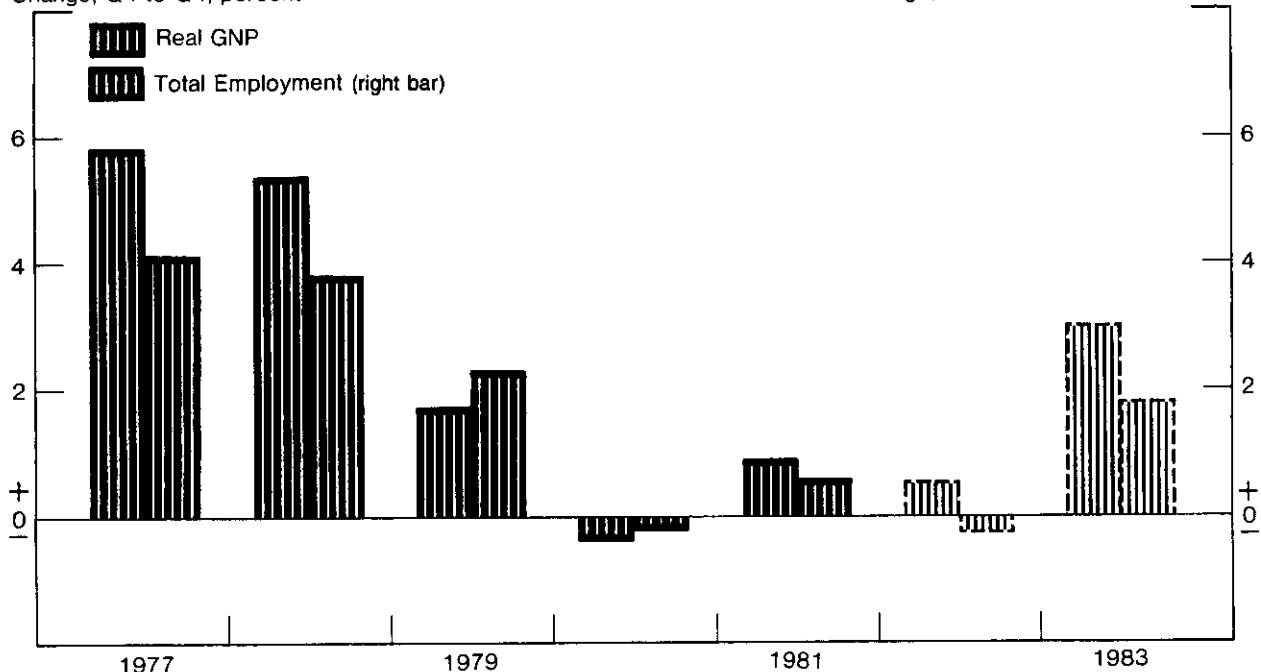
Q4 to Q4, percent



Total Employment and Real GNP

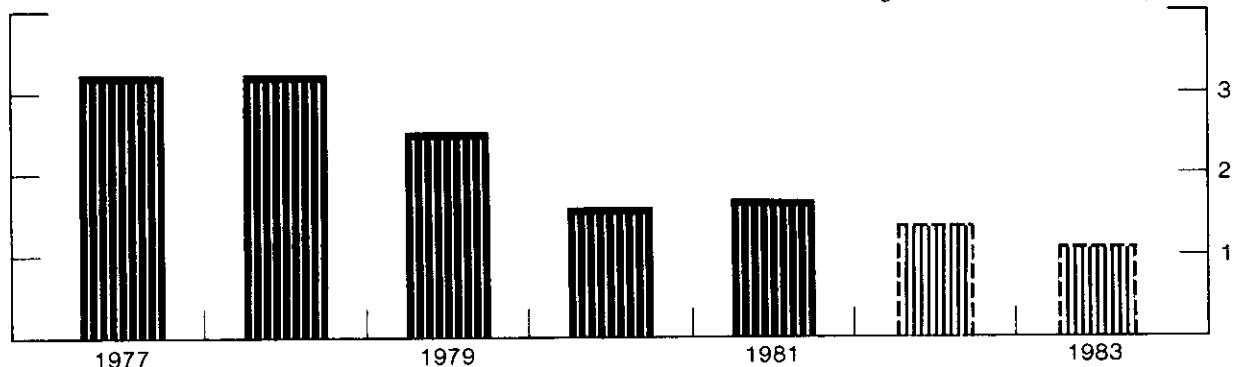
Change, Q4 to Q4, percent

Change, Q4 to Q4, millions of persons



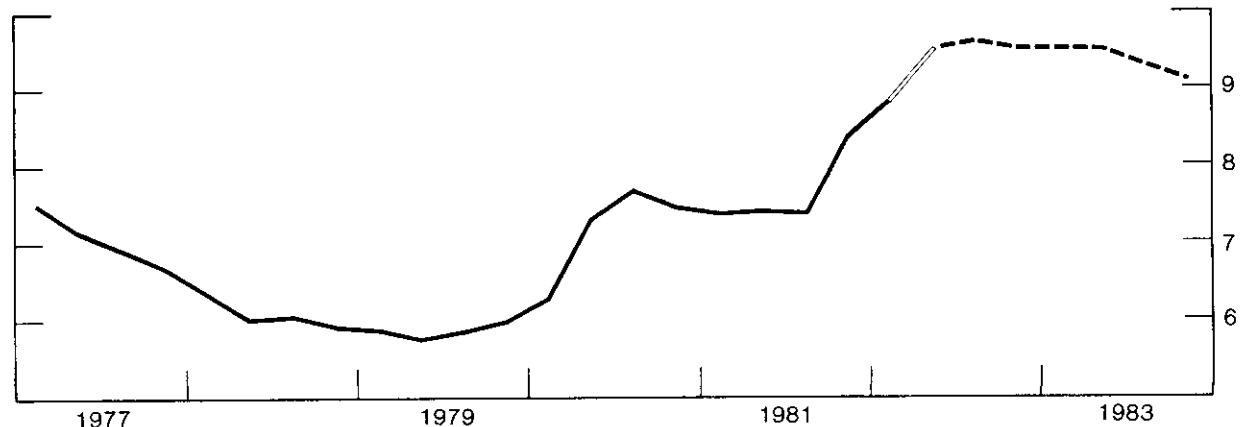
Civilian Labor Force

Change, Q4 to Q4, millions of persons

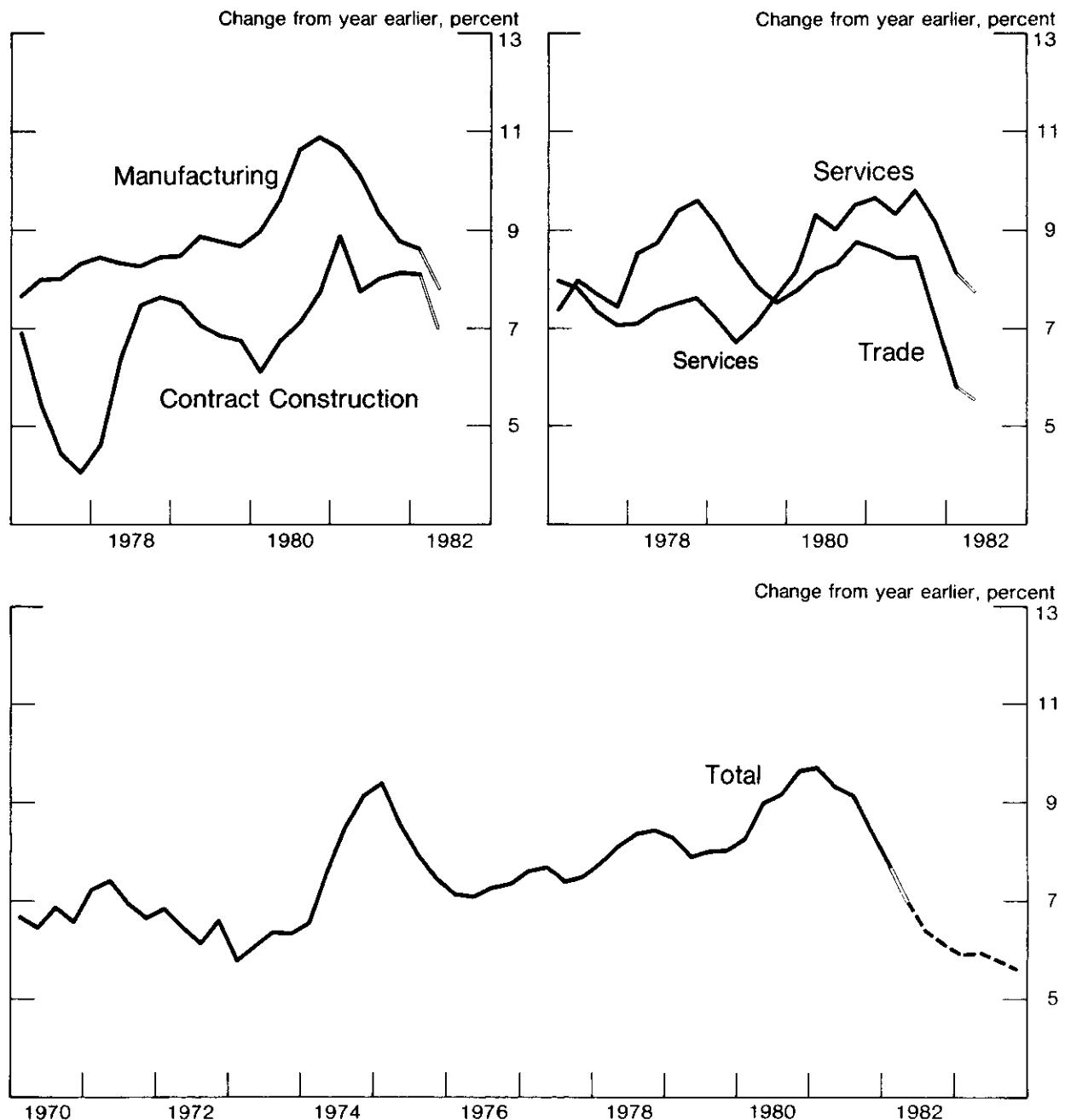


Unemployment Rate

Percent

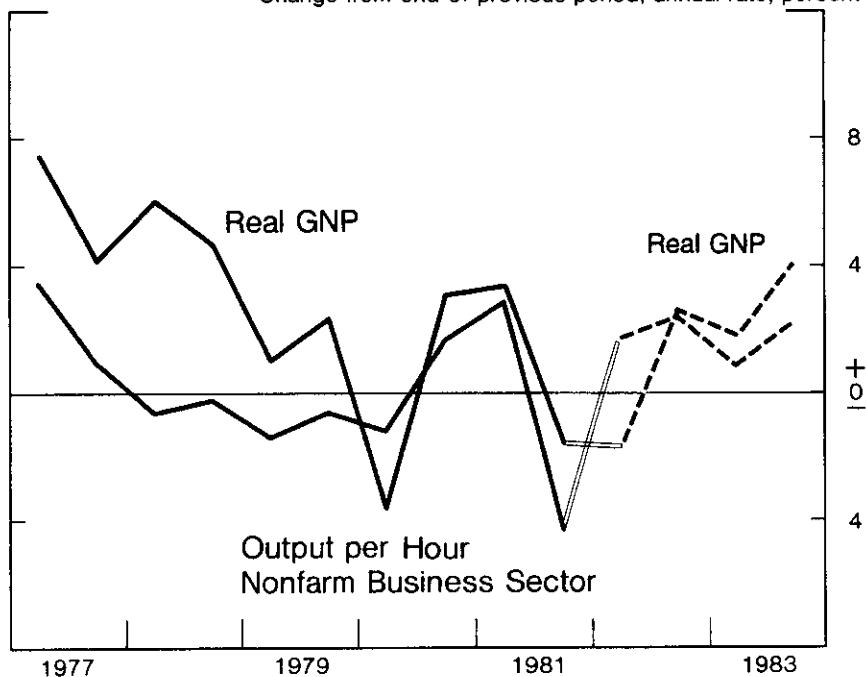


Average Hourly Earnings Index



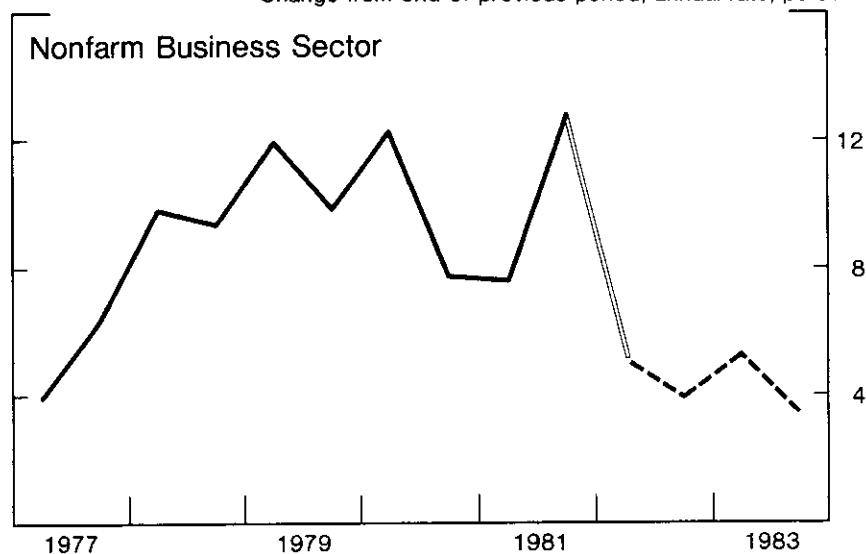
Output per Hour and Real GNP

Change from end of previous period, annual rate, percent

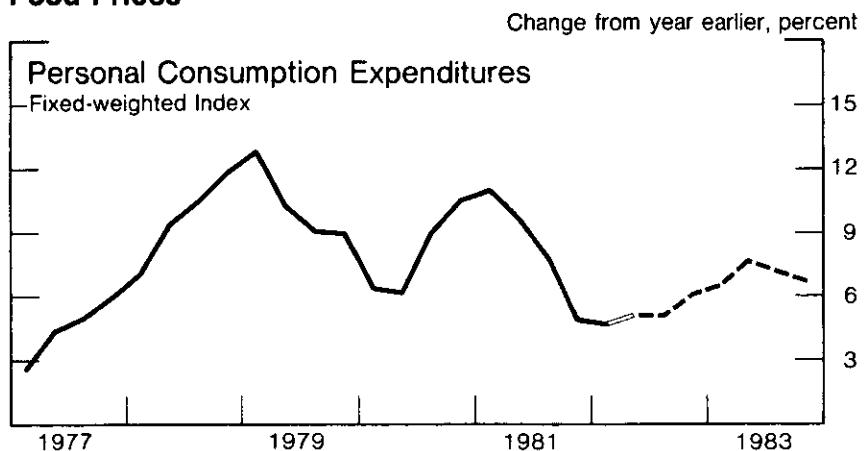


Unit Labor Costs

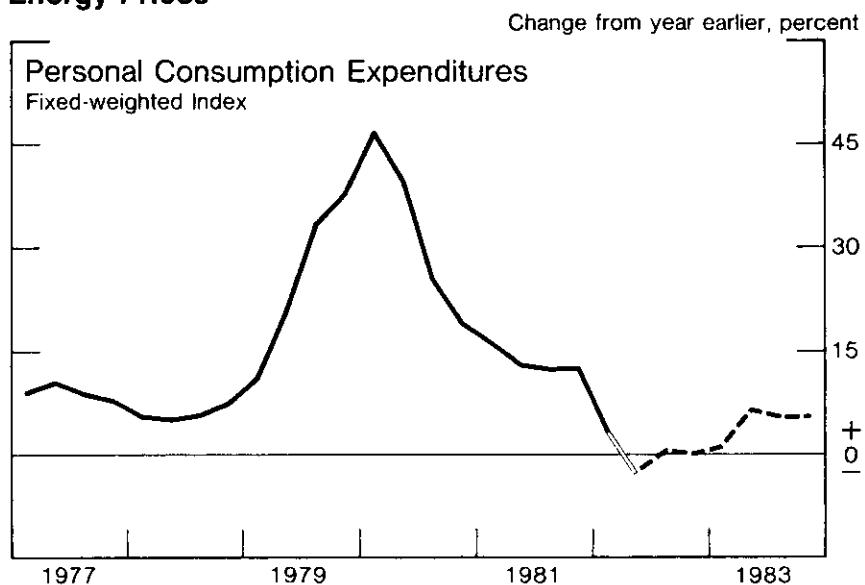
Change from end of previous period, annual rate, percent



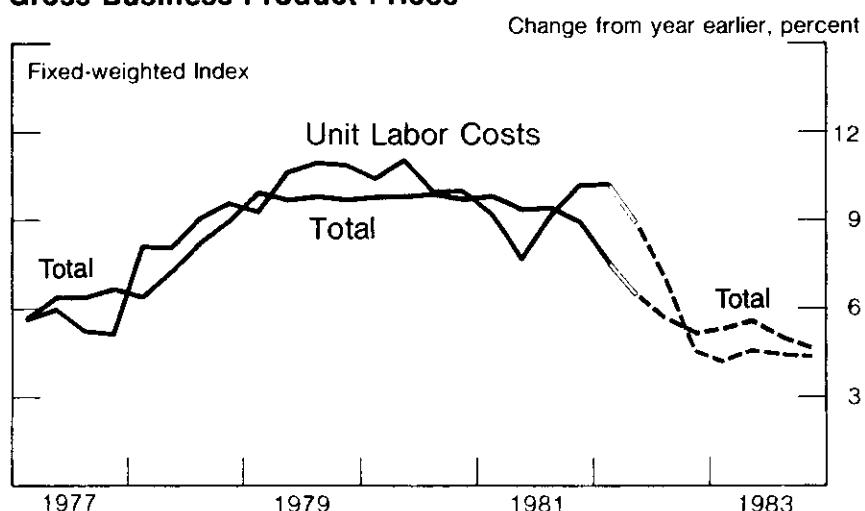
Food Prices



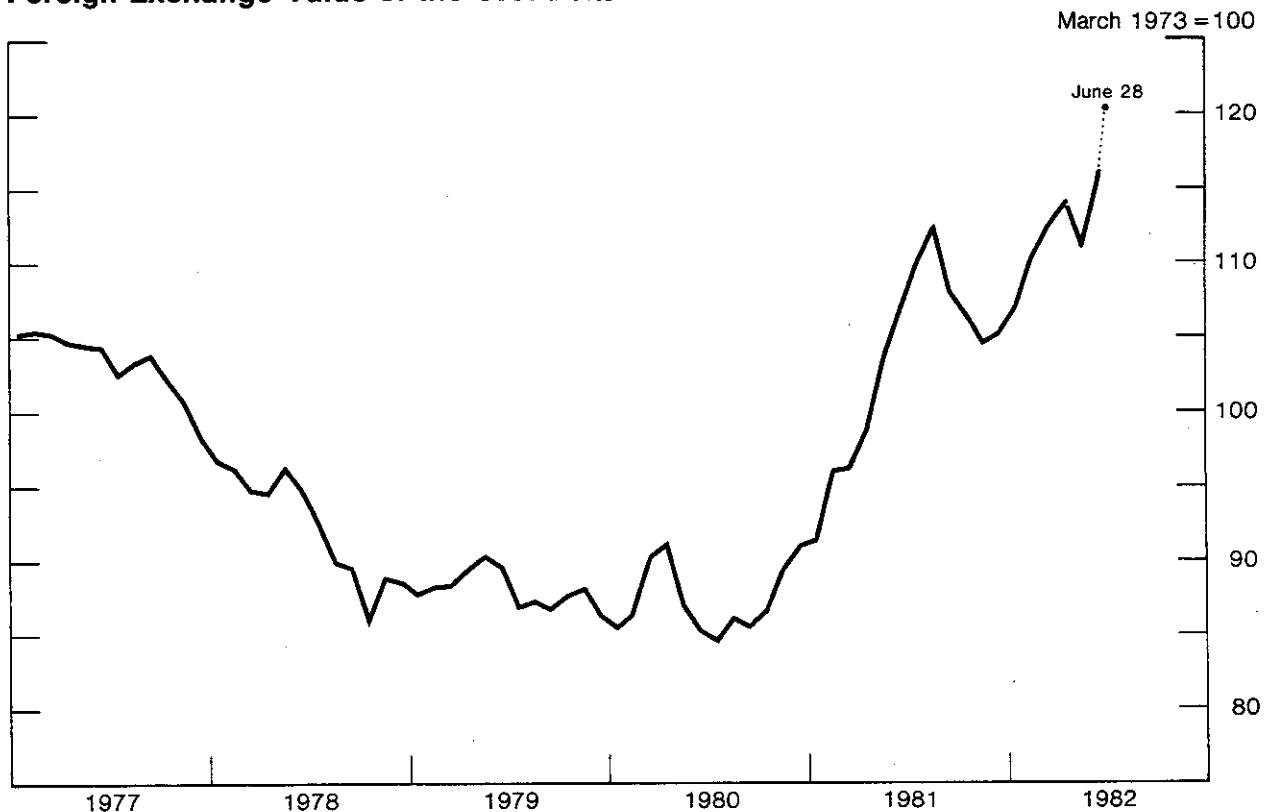
Energy Prices



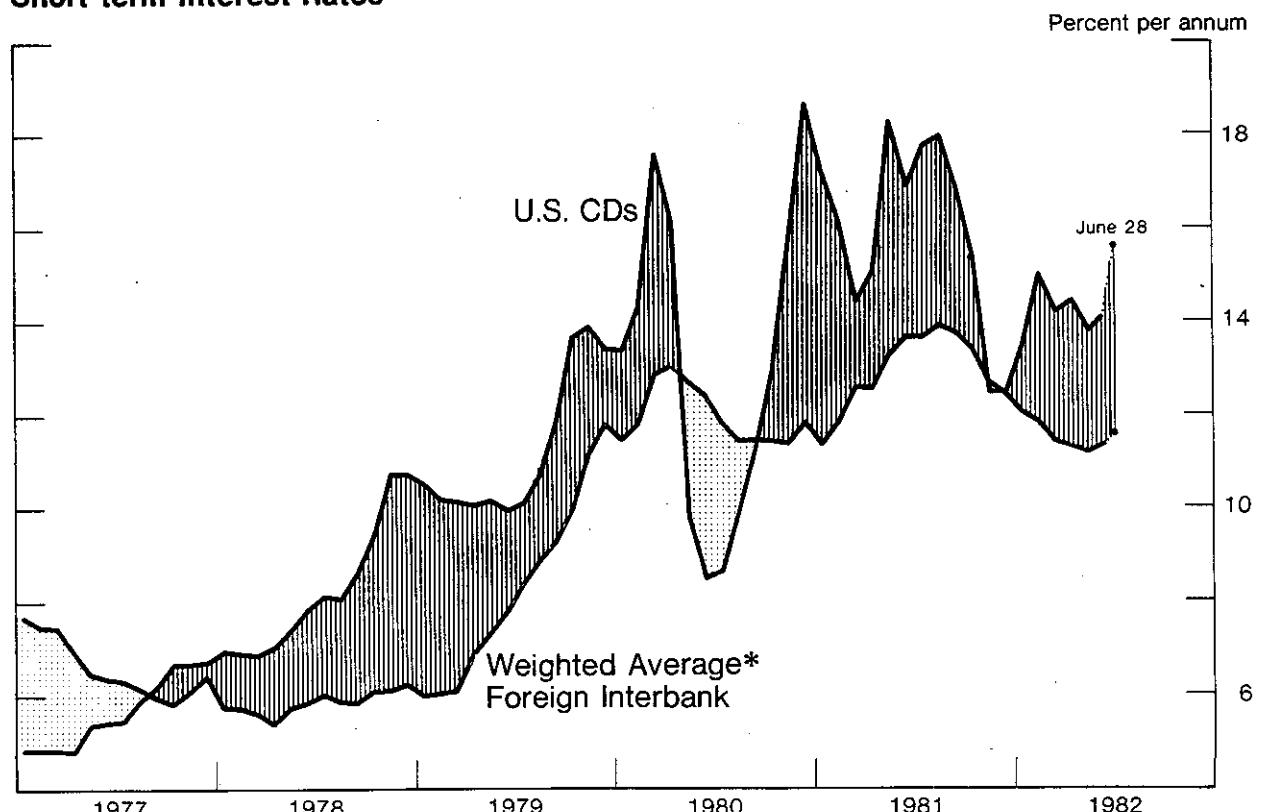
Gross Business Product Prices



Foreign Exchange Value of the U.S. Dollar*

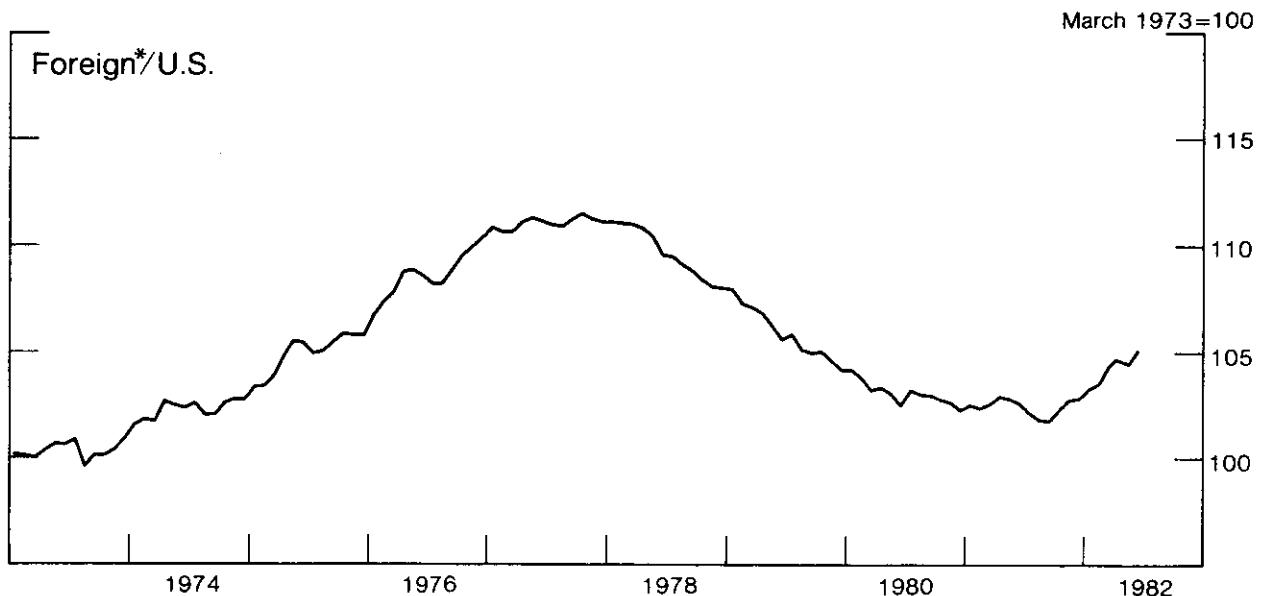


Short-term Interest Rates

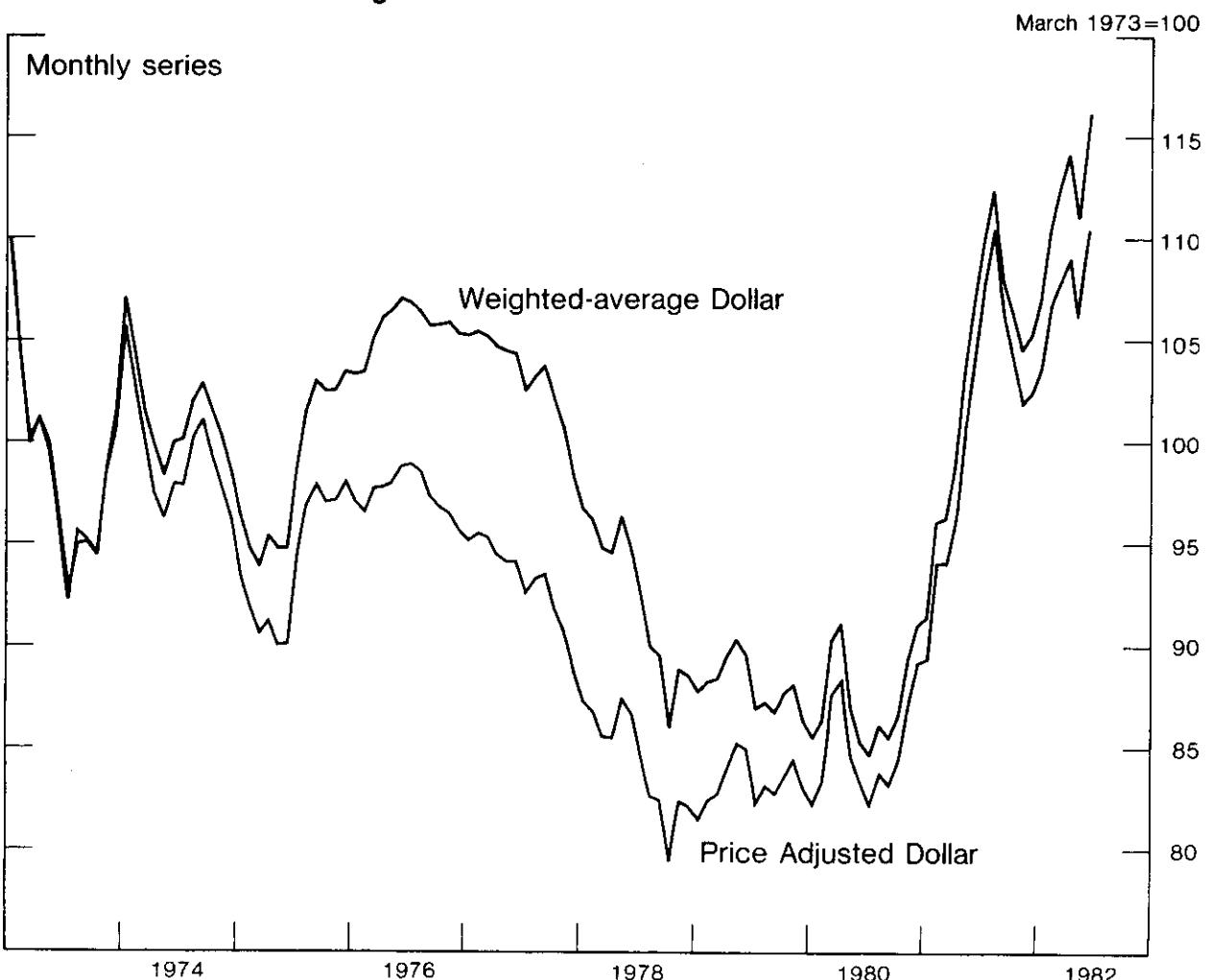


*Weighted average against or of G-10 countries plus Switzerland using total 1972-1976 average trade of these countries.

Relative Consumer Prices



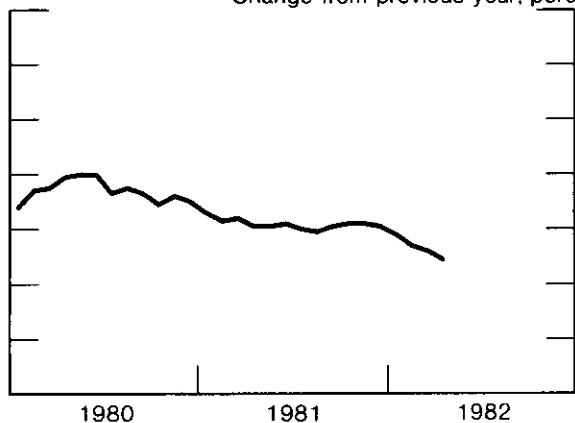
Nominal and Real Exchange Rates



* Weighted average of G-10 countries plus Switzerland using total 1972-76 average trade of these countries.

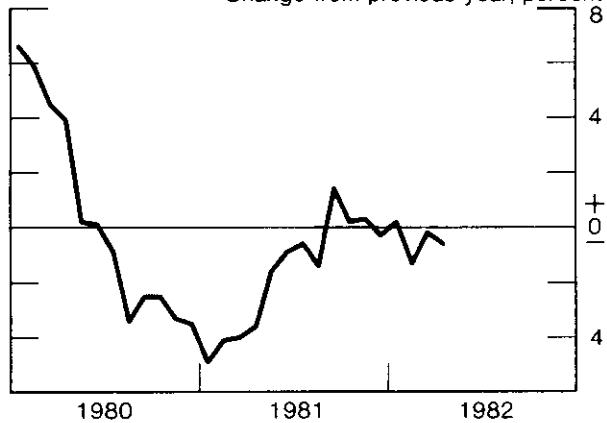
Foreign* Consumer Prices

Change from previous year, percent



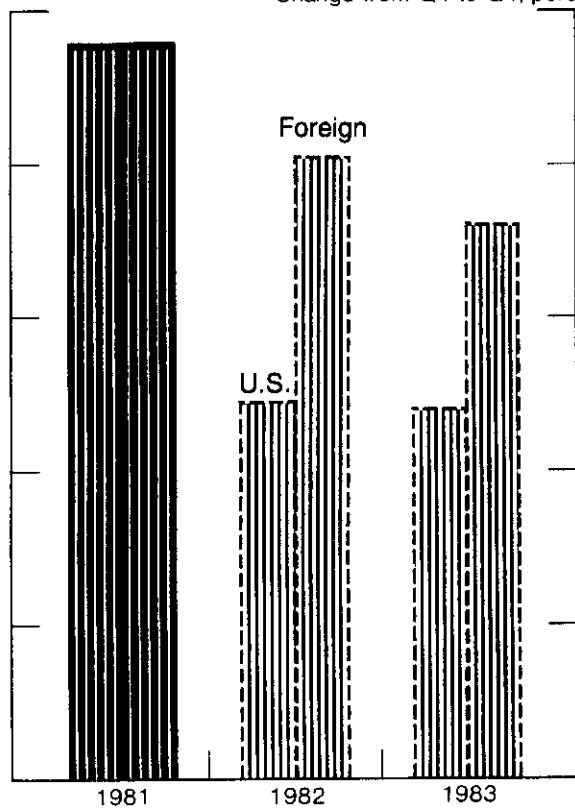
Foreign* Industrial Production

Change from previous year, percent



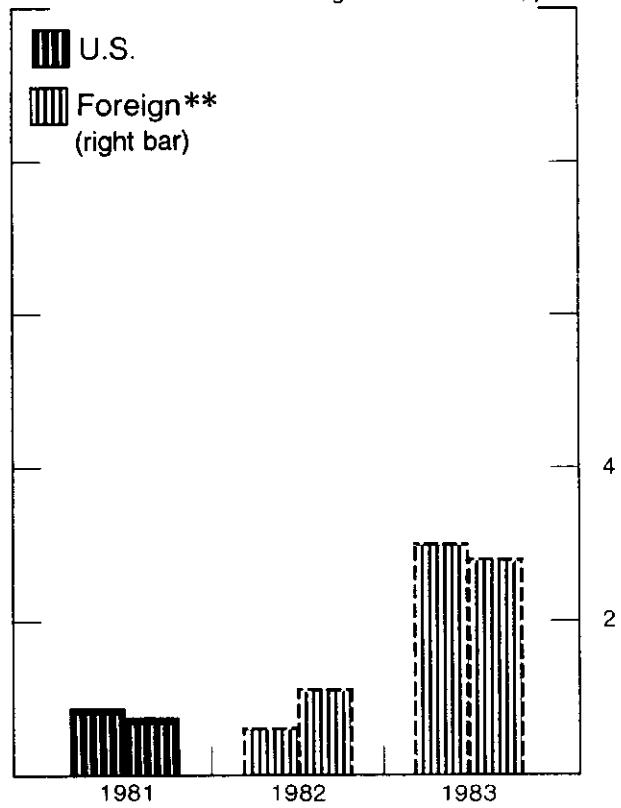
Consumer Prices

Change from Q4 to Q4, percent



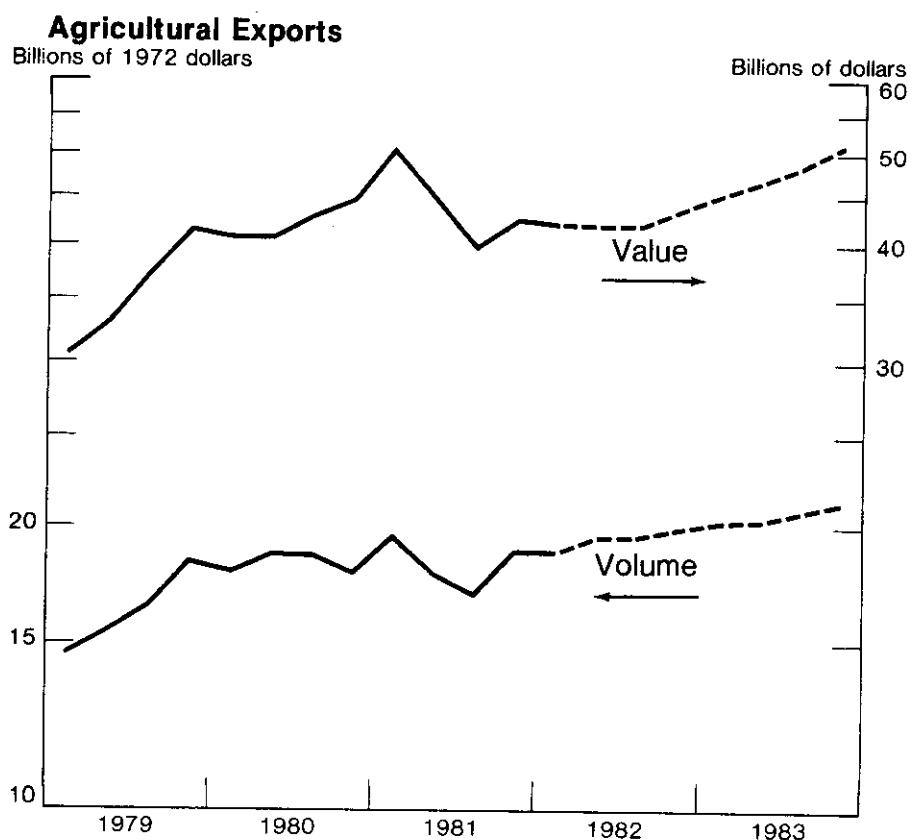
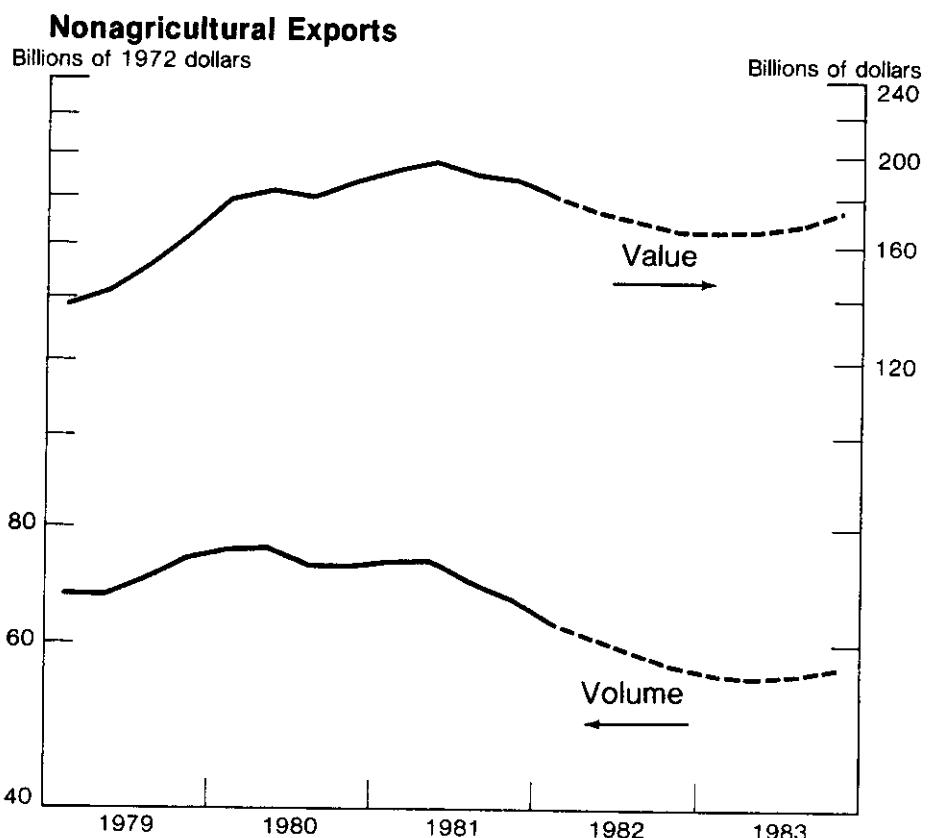
Gross National Product

Change from Q4 to Q4, percent



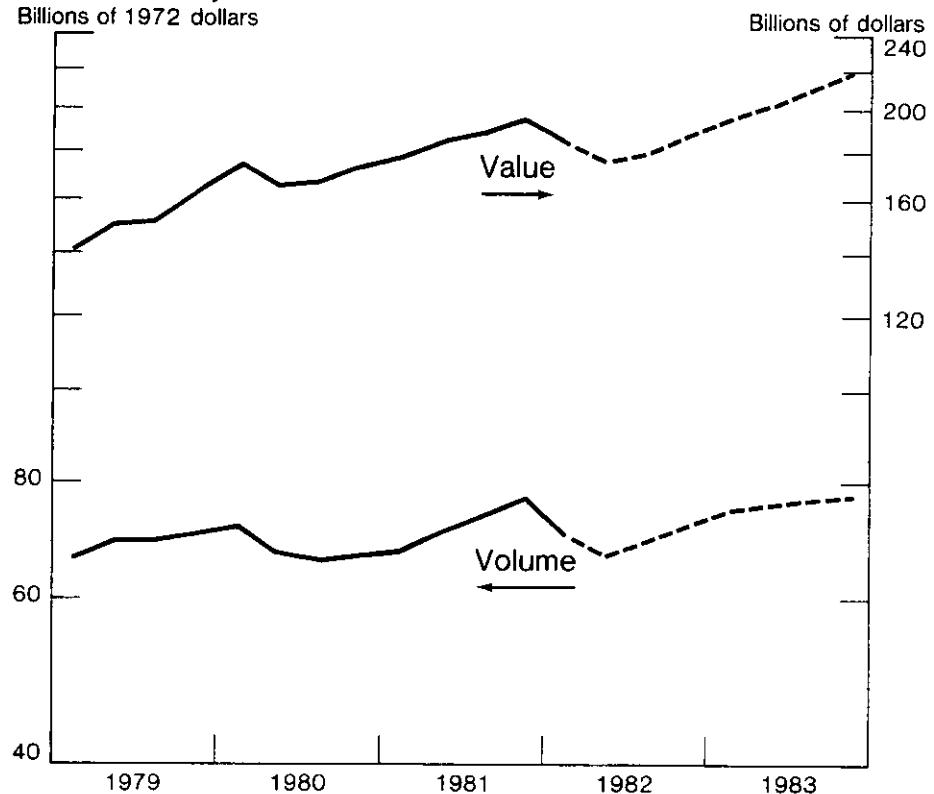
*Weighted average of six major foreign countries using total 1972-76 average trade of these countries.

**Weighted average of G-10 countries plus Switzerland using total 1972-76 average trade of these countries.



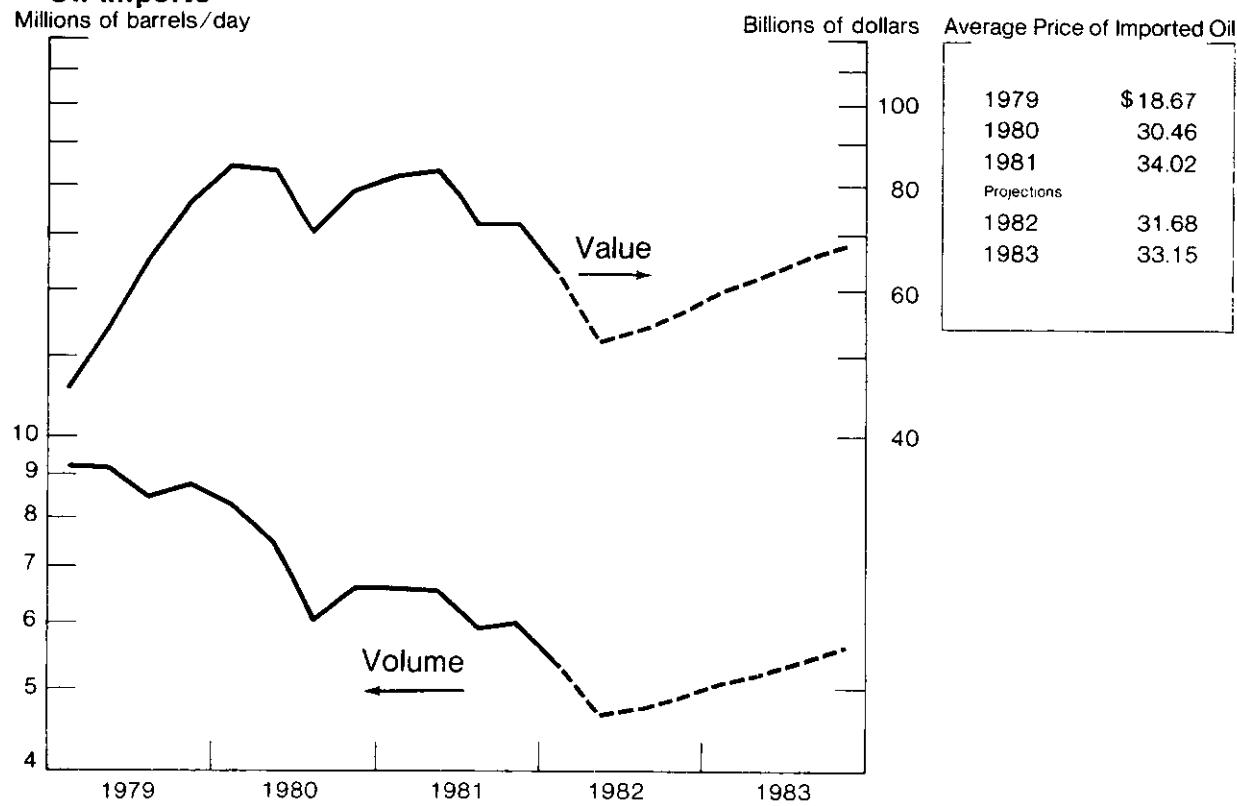
Non-Oil Imports

Billions of 1972 dollars

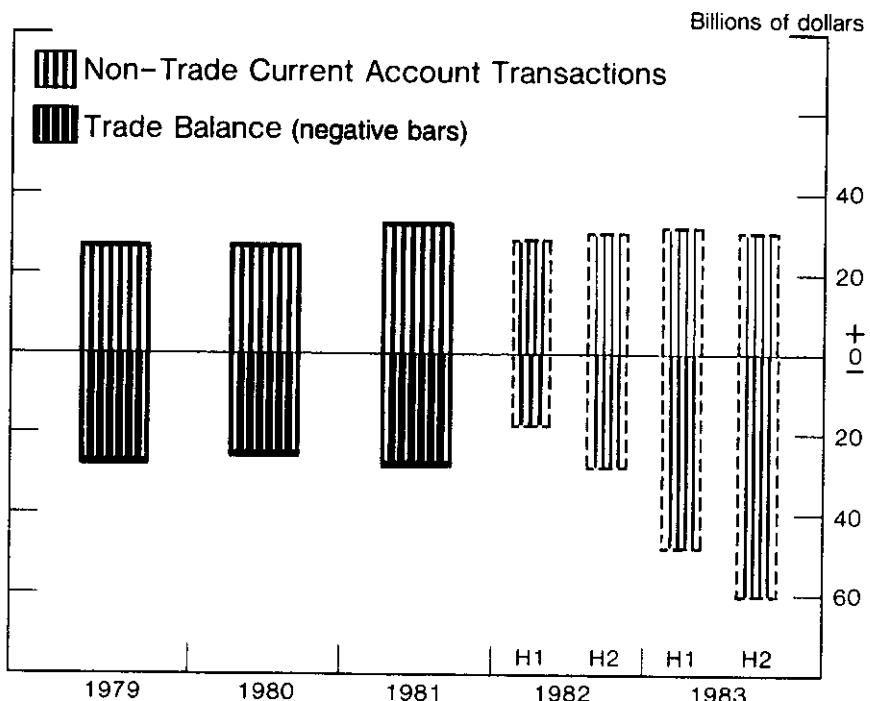


Oil Imports

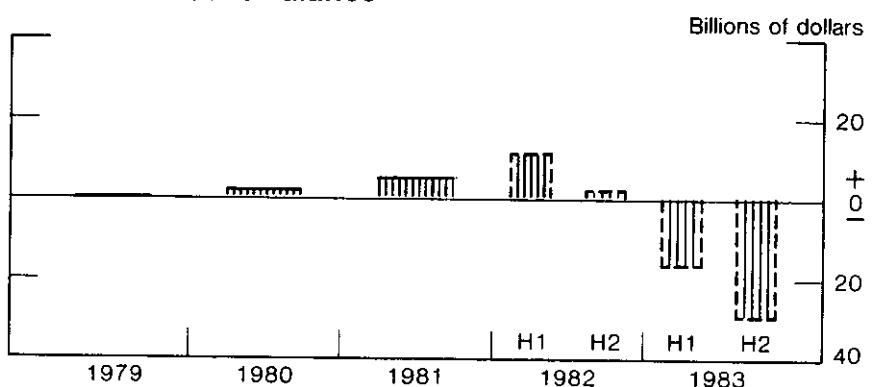
Millions of barrels/day



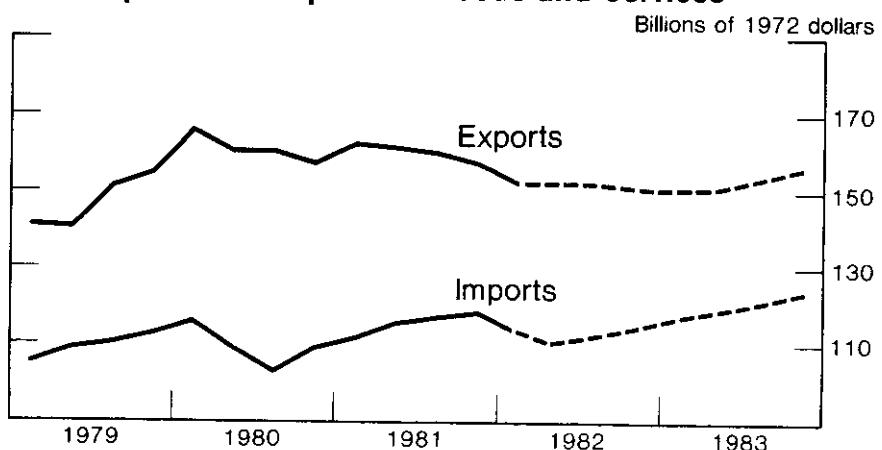
Current Account Transactions



Current Account Balance

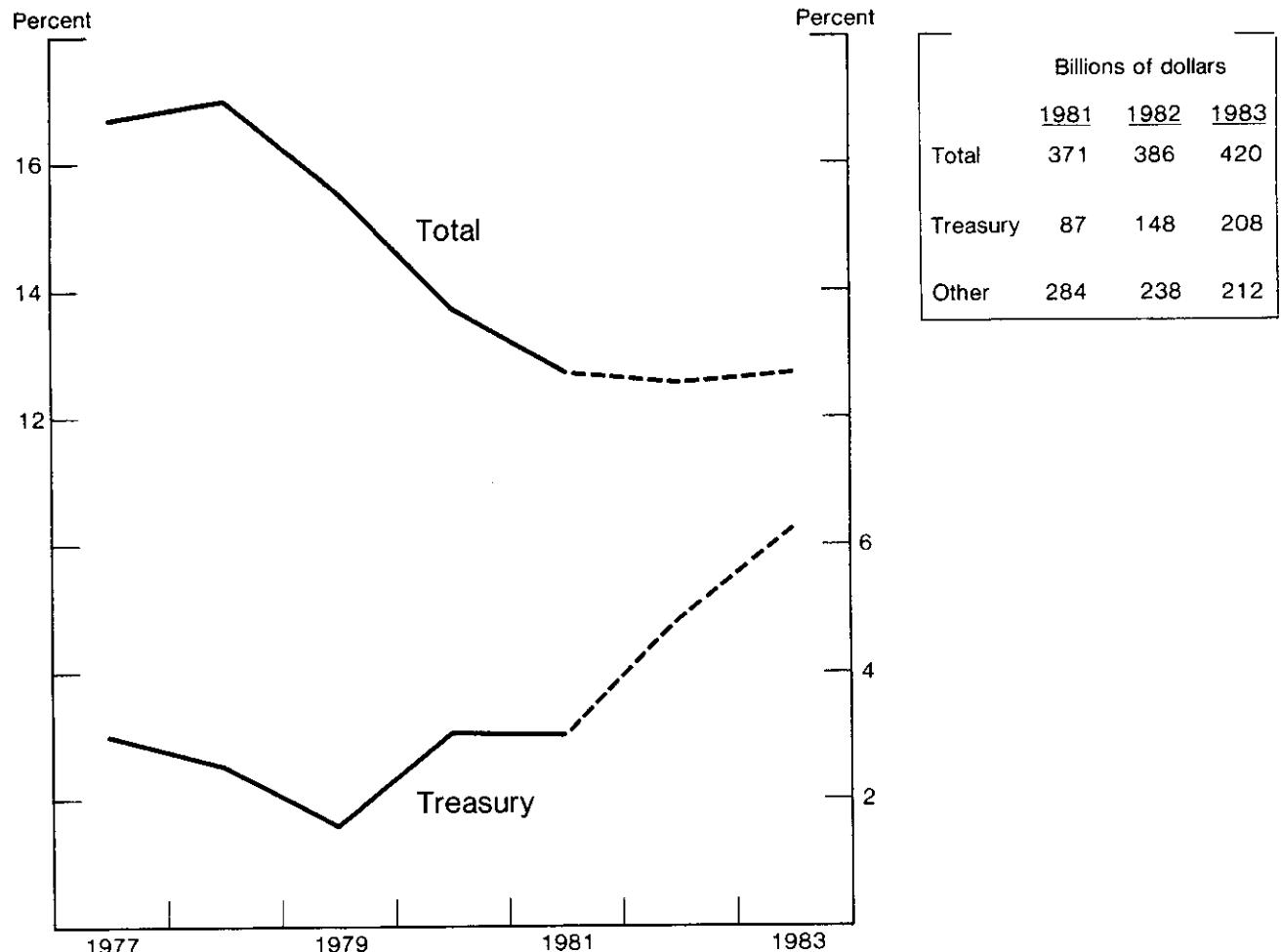


GNP Exports and Imports of Goods and Services



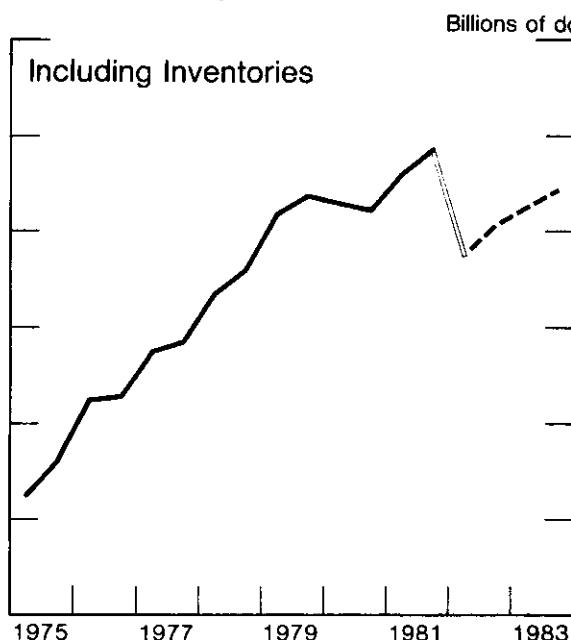
Funds Raised by Domestic Nonfinancial Sectors

As a Percent of GNP

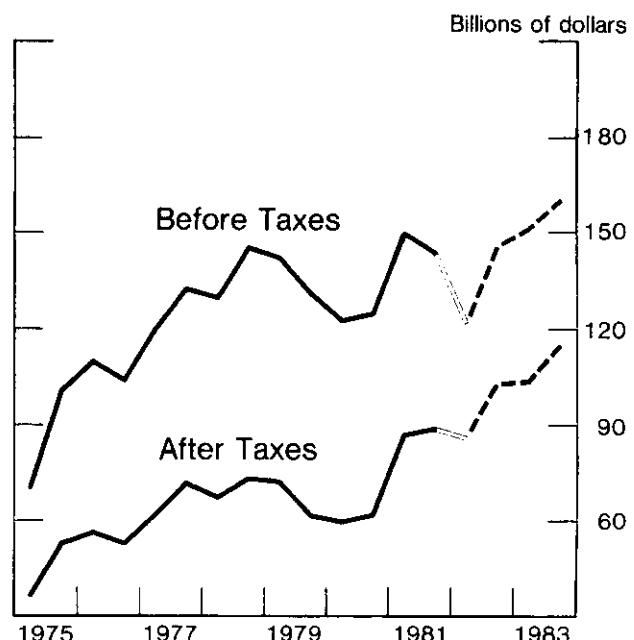


Nonfinancial Corporations

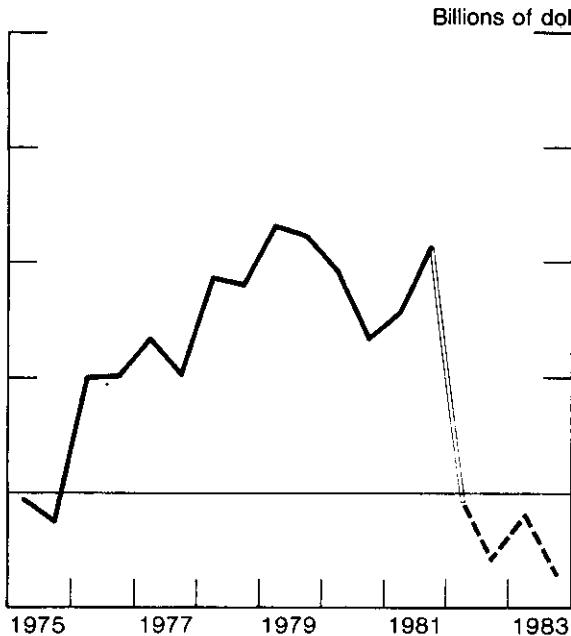
Investment Expenditures



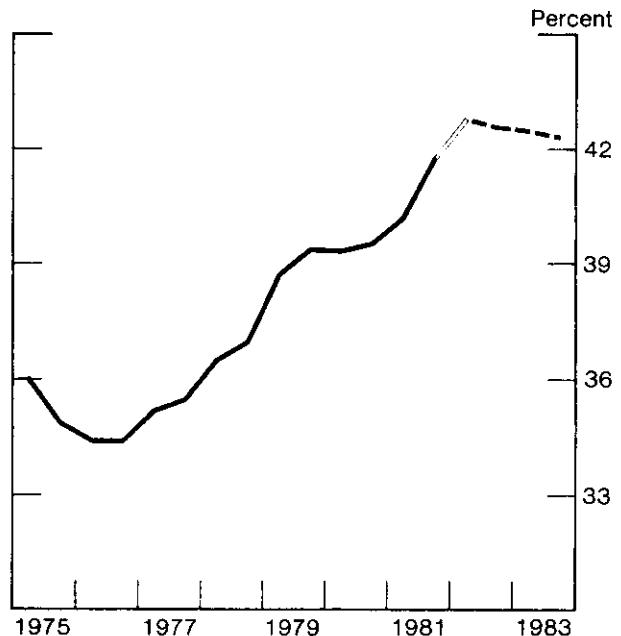
Economic Profits



Financing Gap



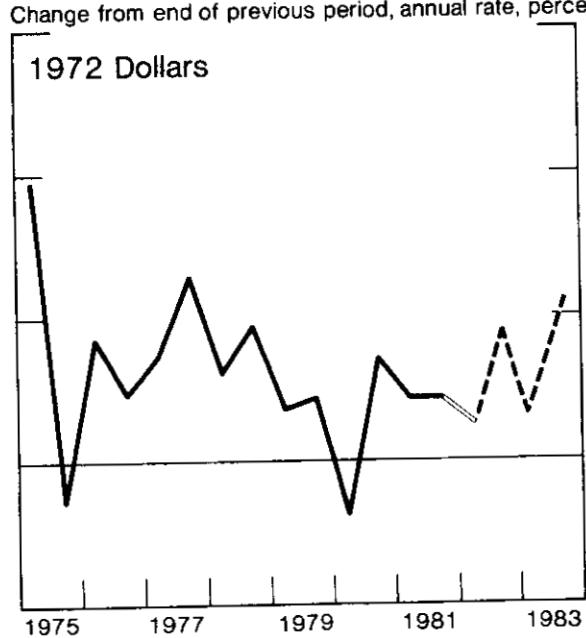
Short-term Debt Relative to Total Debt Outstanding



Real Disposable Personal Income

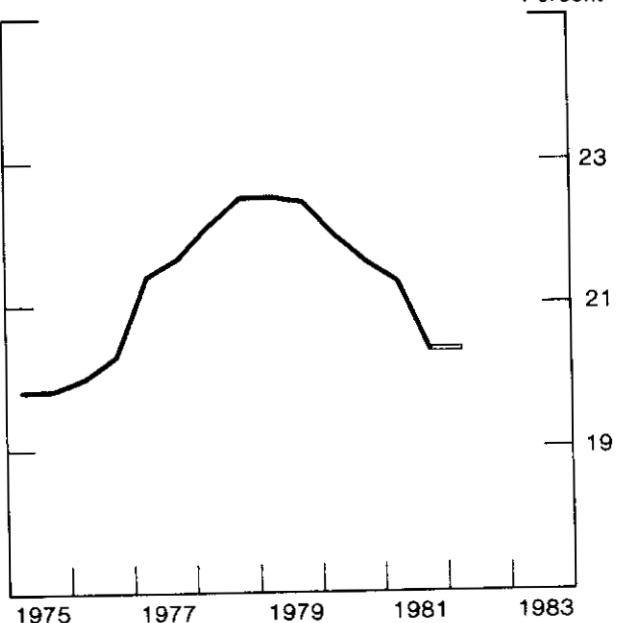
Change from end of previous period, annual rate, percent

1972 Dollars



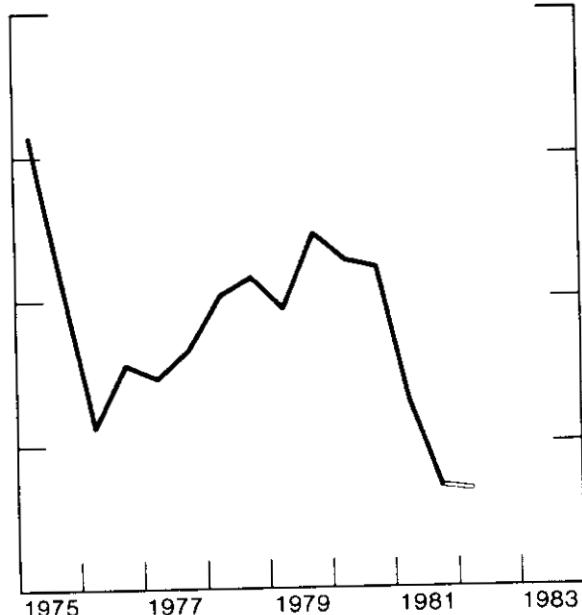
Debt Repayments Relative to Disposable Personal Income

Percent



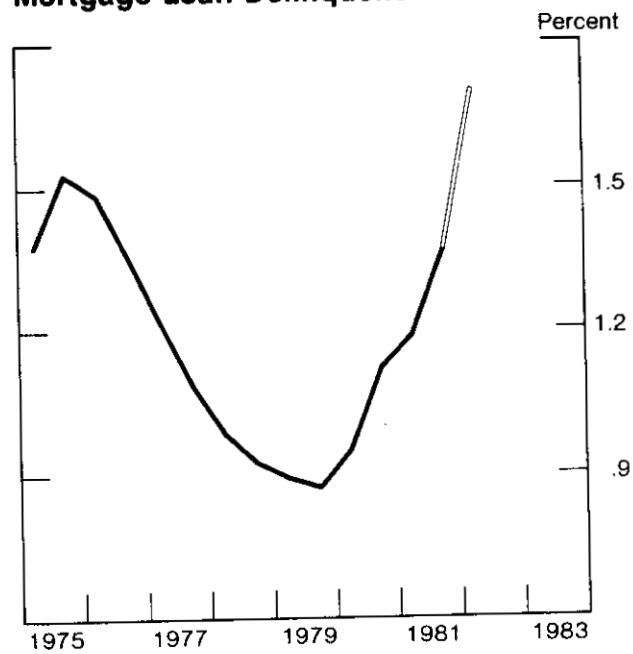
Auto Loan Delinquencies

Percent



Mortgage Loan Delinquencies

Percent



Forecast Summary

	Board Members		Voting Presidents		Nonvoting Presidents		Staff
	Range	Median	Range	Median	Range	Median	
Change, Q4 to Q4, percent							
Nominal GNP							
1982	5½ to 7	6¼	6 to 7¼	6½	5½ to 7½	6½	5¾
1983	7 to 9	7½	7¼ to 9½	9	7 to 9½	8½	7½
Real GNP							
1982	0 to 1¼	1	½ to 1½	1	0 to 1½	1	½
1983	2 to 3	2¾	2 to 3½	3¼	1½ to 4	2½	3
GNP Deflator							
1982	4¾ to 5½	5½	5 to 6	5½	5¼ to 6½	5½	5¾
1983	4½ to 5½	5	4 to 6	5½	4¾ to 7	5½	4¾
Average Q4 level, percent							
Unemployment Rate							
1982	9¼ to 9¾	9½	9 to 9½	9½	9 to 9¾	9½	9½
1983	8¾ to 10	9	8 to 9¼	8¾	8½ to 9½	9	9